

ORIGINAL
COMMISSIONERS
DOUG LITTLE - Interim Chairman
BOB STUMP
BOB BURNS
TOM FORESE

OPEN MEETING ITEM



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ARIZONA CORPORATION COMMISSION

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DATE: MARCH 23, 2016
DOCKET NO.: WS-02987A-08-0180
TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Teena Jibilian. The recommendation has been filed in the form of an Order on:

JOHNSON UTILITIES, LLC
(ORDER EXTENDING TIME DEADLINE ORDERED BY DECISION NO. 74695)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

APRIL 1, 2016

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

APRIL 12, 2016 AND APRIL 13, 2016

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission
DOCKETED

MAR 23 2016

DOCKETED BY	<i>[Signature]</i>
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[Signature]
JODI A. JERICH
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 DOUG LITTLE – Chairman
4 BOB STUMP
5 BOB BURNS
6 TOM FORESE
7 ANDY TOBIN

8 IN THE MATTER OF THE APPLICATION OF
9 JOHNSON UTILITIES, LLC FOR AN INCREASE
10 IN ITS WATER AND WASTEWATER RATES FOR
11 CUSTOMERS WITHIN PINAL COUNTY,
12 ARIZONA.

DOCKET NO. WS-02987A-08-0180

DECISION NO. _____

ORDER EXTENDING TIME
DEADLINE ORDERED BY
DECISION 74695

11 Open Meeting
12 April 12 and 13, 2016
13 Phoenix, Arizona

14 **BY THE COMMISSION:**

15 * * * * * * * * *

16 Having considered the entire record herein and being fully advised in the premises, the
17 Commission finds, concludes, and orders that:

18 **FINDINGS OF FACT**

19 1. On March 31, 2008, Johnson Utilities, LLC, dba Johnson Utilities Company (“Johnson
20 Utilities” or “Company”) filed with the Arizona Corporation Commission (“Commission”) an
21 application for an increase in its water and wastewater utility rates.

22 2. On August 25, 2010, the Commission issued Decision No. 71854. Decision No. 71854
23 approved new rates for Johnson Utilities and also authorized Johnson Utilities to implement an adjustor
24 mechanism for Central Arizona Groundwater Replenishment District (“CAGR”) fees, subject to
25 conditions.

26 3. Decision No. 71854 was subsequently amended, by Decision No. 72579 (September 15,
27 2011)(modifying the rates approved in Decision No. 71854); by Decision No. 73284 (July 30,
28 2012)(modifying CAGR adjustor calculations and filing requirements); by Decision No. 73992 (July
16, 2013)(modifying rates to include recovery of income tax expense as requested in Johnson Utilities’

1 March 8, 2013 petition); and by Decision No. 74701 (August 21, 2014)(modifying a condition on
2 CAGRD adjustor mechanism in regard to required segregation of funds collected by Johnson Utilities
3 under CAGRD adjustor mechanism).

4 4. The Commission has also issued the following Decisions in this docket: Decision No.
5 71910 (September 28, 2010)(correcting Decision No. 71854 *nunc pro tunc* and granting extensions of
6 time for tariff compliance filings, including filing requirements for the CAGRD adjustor mechanism);
7 Decision No. 72089 (January 20, 2011)(approving implementation of CAGRD adjustor fees); Decision
8 No. 72533 (August 17, 2011)(approving best management practice (“BMP”) Tariffs); Decision No.
9 72634 (October 14, 2011)(approving CAGRD adjustor fee reset and inclusion of CAGRD annual
10 membership dues in the CAGRD adjustor); Decision No. 73617 (December 12, 2012)(approving
11 CAGRD adjustor fees); Decision No. 74238 (January 7, 2014) (approving CAGRD adjustor fee reset
12 and ordering Johnson Utilities to segregate all CAGRD collections, with payments to be made only to
13 the CAGRD and not to Johnson Utilities); Decision No. 74861 (December 18, 2014)(approving
14 CAGRD adjustor fee reset); Decision No. 74947 (February 9, 2015)(approving CAGRD adjustor fee
15 reset); Decision No. 75129 (June 26, 2015)(amending Decision No. 74701 to remove a limitation
16 requiring Johnson Utilities to reimburse itself for advancing shortfalls in the CAGRD account at the
17 rate of 1/12th of the shortfall per month); and Decision No. 75462 (February 16, 2016)(approving
18 CAGRD adjustor fee reset).

19 5. On August 12, 2014, the Commission issued Decision No. 74695, an Opinion and Order
20 on Rehearing of Decision No. 73992. Decision No. 74695 adopted a settlement agreement between
21 Johnson Utilities and the Residential Utility Consumer Office (“RUCO”) (“Settlement Agreement”)
22 which resolved disagreements between Johnson Utilities and RUCO, both of which had filed requests
23 for rehearing of Decision No. 73992. The Commission granted both rehearing requests.

24 6. Pursuant to the adopted Settlement Agreement, Decision No. 74695 modified Decision
25 No. 73992 by decreasing Johnson Utilities’ authorized wastewater rates to reflect a reduction in its
26 authorized imputed income tax rate from 36.6558 percent down to 25 percent.

27 7. Decision No. 74695 also adopted a provision in the Settlement Agreement that modified
28 a requirement of Decision No. 73992 that Johnson Utilities file a full rate case with the Commission

1 no later than June 30, 2015, using a 2014 calendar test year. Decision No. 74695 required instead that
2 Johnson Utilities file a full rate case no later than June 30, 2016, using a 2015 calendar test year.

3 8. Decision No. 74695 ordered Johnson Utilities, pursuant to a provision of the Settlement
4 Agreement, to file annual earnings reports for calendar years 2013, 2014, and 2015, using the form of
5 schedules attached as Exhibit A to the Settlement Agreement. Decision No. 74695 set the filing
6 deadline for the 2015 earnings report at February 29, 2016.

7 9. On June 26, 2015, the Commission issued Decision No. 75130. Decision No. 75130
8 extended to June 30, 2017, the June 30, 2016 deadline set by Decision No. 74695 for Johnson Utilities
9 to file a rate case.

10 10. On February 12, 2016, Johnson Utilities docketed a letter to the Commission, signed by
11 its Chief Operating Officer, titled "Request for Additional Time to Complete and File 2015 Earnings
12 Report." The letter states that completion of the earnings report is dependent upon the completion of
13 substantial accounting work for the 2015 calendar year, that Johnson Utilities is awaiting accounting
14 reports from its outside accountant, and that Johnson Utilities has additional internal accounting work
15 to complete before filing the 2015 earnings report. The letter requested that the Commission extend
16 the filing date for the 2015 Earnings Report to May 31, 2016. The letter was not served on the parties
17 to this docket.

18 11. On February 26, 2016, a Procedural Order was issued that included a copy of the
19 February 12, 2016 letter, and parties were directed to file a response by March 7, 2016.

20 12. On March 7, 2016, RUCO filed a response to Johnson Utilities' request. RUCO does
21 not oppose Johnson Utilities' request to extend the due date to file its 2015 Earnings Report to May 31,
22 2016.

23 13. On March 7, 2016, the Commission's Utilities Division ("Staff") filed a response to
24 Johnson Utilities' request. Staff does not object to the request and therefore recommends that the
25 Commission extend the due date to file its 2015 Earnings Report to May 31, 2016. Staff further
26 recommends that Accumulated Deferred Income Taxes ("ADIT") be included in the 2015 earnings
27 report as outlined in Exhibit A, Schedule 1 in Decision No. 74695. Staff further notes that the ADIT
28 balance should be calculated from the date of Decision No. 74695, which is the date when income taxes

1 were authorized to be recovered from taxpayers.

2 14. Staff's recommendations set forth in Findings of Fact No. 13 above are reasonable and
3 should be adopted.

4 15. Under the circumstances, it is reasonable to extend the deadline for filing of the 2015
5 Earnings Report required by Decision No. 74695 to May 31, 2016.

6 **CONCLUSIONS OF LAW**

7 1. Johnson Utilities, LLC is a public service corporation within the meaning of Article XV
8 of the Arizona Constitution and A.R.S. Title 40.

9 2. The Commission has jurisdiction over Johnson Utilities and the subject matter of the
10 application.

11 3. Staff's recommendations are reasonable and should be adopted.

12 4. It is reasonable and in the public interest to grant Johnson Utilities' request for a time
13 extension to comply with submission of the 2015 annual earnings report required by Decision No.
14 74695.

15 **ORDER**

16 IT IS THEREFORE ORDERED that the compliance deadline set by Decision No. 74695 for
17 Johnson Utilities, LLC, dba Johnson Utilities Company to file its 2015 Earnings Report is hereby
18 extended to May 31, 2016.

19 IT IS FURTHER ORDERED that Johnson Utilities, LLC dba Johnson Utilities Company shall
20 include ADIT in the 2015 earnings report as outlined in Exhibit A, Schedule 1 in Decision No. 74695.

21 IT IS FURTHER ORDERED that Johnson Utilities, LLC dba Johnson Utilities Company shall
22 calculate the ADIT balance included in the 2015 earnings report from the date of Decision No. 74695,
23 which is the date when income taxes were authorized to be recovered from taxpayers.

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that Johnson Utilities, LLC dba Johnson Utilities Company shall
2 file any future requests for extensions of time at least 90 days prior to the existing due date.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
5
6

7 CHAIRMAN

COMMISSIONER

8
9 COMMISSIONER

COMMISSIONER

COMMISSIONER

10
11 IN WITNESS WHEREOF, I, JODI JERICH, Executive Director
12 of the Arizona Corporation Commission, have hereunto set my
13 hand and caused the official seal of the Commission to be affixed
14 at the Capitol, in the City of Phoenix, this _____ day
15 of _____ 2016.

16 JODI JERICH
EXECUTIVE DIRECTOR

17 DISSENT _____
18

19 DISSENT _____
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JOHNSON UTILITIES, LLC

2 DOCKET NO.:

WS-02987A-08-0180

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